

News Release



Controller of the State of California - Kathleen Connell

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For Immediate Release

STATE CONTROLLER KATHLEEN CONNELL ACHIEVES HIGHEST RATINGS FOR REVENUE ANTICIPATION WARRANTS

SACRAMENTO, June 13, 2002 – State Controller Kathleen Connell today announced that three major Wall Street credit rating agencies have awarded the State their highest-grade ratings for next week's sale of \$7.5 billion in short-term debt securities.

"These ratings are a direct result of our carefully developed strategy to address the State's cash flow needs in the coming months," stated Controller Connell. "The rating agencies' actions have confirmed that the structure we have selected and the arrangements we have made for additional security were the right answer for this challenging problem."

The short-term obligations, called "RAWs" (Revenue Anticipation Warrants), received a MIG 1 rating from Moody's Investors Service, an SP-1 from Standard & Poor's Rating Service, and an F1+ from Fitch Ratings. The RAWs will mature during the next fiscal year, beginning in late October and ending in January 2003.

"We are fortunate to have the partnership of six of Wall Street's best firms to provide Stand-By arrangements for this issue. The presence of these firms signals Wall Street's confidence in the State's management of its cash," stated Controller Connell. "I want to express my personal appreciation for the confidence exhibited by the large financial commitment made by each of these firms to the State of California."

Six major Wall Street firms, Merrill Lynch, Goldman Sachs & Co., Salomon Smith Barney, Bank of America, Morgan Stanley & Co., Inc., and UBS PaineWebber, each agreed to purchase renewal RAWs, if required. Controller Connell observed "this partnership with the State is a vital ingredient in the success of this offering."

Controller Connell cautioned that prior to the State's issuance of the RAWs, she must certify that the State's resources will be adequate to retire the RAWs at maturity without reliance on the arrangements with the Wall Street firms.

"In order to be prudent, we must make sure that our expectations about receipts and disbursements, as well as reserves, are reasonable and are built on a rational process," Controller Connell concluded.

The Controller expects the certification to be complete prior to the sale.

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The RAWs will be sold to competitive bidders on June 18, and the State will receive proceeds from the sale on June 24, 2002.

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***To arrange an interview with State Controller Kathleen Connell,
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